



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: November 6, 2002 REPORT NO. 02-257

ATTENTION: Honorable Mayor and City Council
Docket of November 12, 2002

SUBJECT: SUNROAD AT SAN DIEGO SPECTRUM - AMENDMENTS TO THE
PROGRESS GUIDE AND GENERAL PLAN; KEARNY MESA
COMMUNITY PLAN; NEW CENTURY CENTER MASTER PLAN,
DEVELOPMENT STANDARDS, AND DESIGN MANUAL;
AMENDMENTS TO THE GENERAL DYNAMICS DEVELOPMENT
AGREEMENT; AND A REZONE. Council District 6. Process 5.

REFERENCE: Development Agreement Between the City of San Diego and General
Dynamics Properties, Inc., adopted December 2, 1997. Report to the
Planning Commission No. P-01-075, Initiation Hearing of April 5, 2001.
Report to the Planning Commission No. P-01-234, Development
Agreement Initiation Hearing of December 6, 2001. City Manager's
Report No. 02-019, Development Agreement Initiation Hearing of January
29, 2002. Report to the Planning Commission No. P-02-073, Hearing of
June 13, 2002.

OWNER/
APPLICANT: Sunroad Centrum Partners, L.P.

SUMMARY

Issues - Should the City Council approve amendments to the Progress Guide and General Plan; Kearny Mesa Community Plan; New Century Center Master Plan, Development Standards, and Design Manual; Amendments to the General Dynamics Development Agreement; and a Rezone, in order to allow Sunroad Centrum Partners to construct 570 additional dwelling units at San Diego Spectrum?

Staff's Recommendation

1. CERTIFY Mitigated Negative Declaration No. 41-0101, and ADOPT the associated Mitigation, Monitoring, and Reporting Program; and
2. APPROVE amendments to the Progress Guide and General Plan; Kearny Mesa Community Plan; New Century Center Master Plan, Development Standards, and Design Manual; Amendments to the General Dynamics Development Agreement; and a Rezone.

Planning Commission Recommendation - On June 13, 2002, the Planning Commission voted unanimously (5-0) to approve the Sunroad project with the following recommendations: 1) The voluntary affordable housing requirement for Sunroad's additional 570 units should be increased from 10 percent to 20 percent; and 2) Language should be added to the New Century Center Development Standards to strengthen the recommendation for mixed-use. Single use areas and big box uses, in particular those that are auto-oriented, should be strongly discouraged unless incorporated as part of a vertically mixed use development. City staff and Sunroad support recommendation number 2, but recommend that the 10 percent affordable housing requirement be retained (see discussion section of this report).

Community Planning Group Recommendation - On April 17, 2002, the Kearny Mesa Community Planning Group voted (13-0-1) to recommend approval of this project.

Environmental Impact - The City of San Diego as Lead Agency under CEQA has prepared and completed Mitigated Negative Declaration LDR No. 41-0101, dated January 31, 2002, and a Mitigation, Monitoring and Reporting Program covering this activity.

Fiscal Impact - All costs associated with the processing of this project are paid from a deposit account maintained by the applicant. The Extraordinary Benefits required through the original General Dynamics Development Agreement will continue to be assured through the amended Development Agreement.

Code Enforcement Impact - None with this action.

Housing Impact Statement - The project includes an affordable housing component for the additional 570 dwelling units, requiring that 10 percent of these units be reserved for households earning no more than 65 percent of median income, or an equivalent program acceptable to the City Manager and Housing Commission.

Traffic Impact Statement - The proposed Sunroad at San Diego Spectrum project is estimated to generate approximately 3,420 average daily trips (ADT). 510 of these trips are estimated to occur on SR-163 south of Balboa Avenue, which has an estimated near-term plus project volume of 177,510 ADT and operates at an acceptable level of service "D". This project will improve the jobs/housing balance in the Kearny Mesa Community.

Water Quality Impact Statement - The requested approvals include land use policy amendments and a rezone only, and do not permit immediate land development. Planned development permits will be required for all future development, which will require implementation of Best Management Practices on-site to reduce and/or eliminate construction phase and post construction runoff of pollutants.

BACKGROUND

The original New Century Center project was approved by the City Council on December 2, 1997, allowing General Dynamics (the original owner) to develop a high-density mixed-use retail, commercial and industrial business park on 242-acres centrally located within the community of Kearny Mesa (see Attachment 2). The original project's principle goal was to reposition the property through flexible, market-driven land use designations to permit a variety of retail, office, entertainment, institutional, and light industrial uses surrounding a central amenity area known as Market Square. The New Century Center project designated the western 85 acres for Retail, Entertainment, and Commercial land uses (up to 1.4 million square-feet), and the eastern 158 acres for Industrial and Business Park land uses (up to 3 million square-feet).

In 1998, LNR Kearny Mesa, Inc. purchased the New Century Center project from General Dynamics. In October of 2000, the City Council approved LNR's new project called San Diego Spectrum, which revised the previously approved New Century Center project. The San Diego Spectrum project eliminated Market Square and replaced it with Spectrum Commons, changed the land use in the western portion of the project from retail/entertainment commercial to mixed-use commercial, and changed the land use on Planning Area 3B from commercial to medium density residential. The City Council also approved a Planned Residential Development Permit to develop a 448-unit multi-family residential project on Planning Area 3B (see Attachment 3).

During public hearings to consider the San Diego Spectrum project, an additional 550 residential dwelling units were approved pursuant to direction from both the Planning Commission and City Council, who recommended additional residential development at higher densities within San Diego Spectrum. The additional 550 units were allocated to Planning Areas 1B (to be predominantly residential), 1A, 2B, and 3A (see Attachment 4). In addition to the 550 additional units, the Planning Commission and City Council also encouraged more residential development throughout the San Diego Spectrum project in the future.

In February of 2001, in response to encouragement from the City to provide more residential at San Diego Spectrum, Sunroad Centrum Partners submitted an application to amend the New

Century Center Master Plan to construct 570 additional housing units within San Diego Spectrum. On April 5, 2001, the Planning Commission initiated the plan amendment process.

During the processing of the Master Plan amendment, staff identified the need to provide active park areas for the future residents of the San Diego Spectrum project. City staff determined that Sunroad would need to provide a total of 3.42 acres of park land. Sunroad originally opposed this requirement, and the issue was considered by the Planning Commission on December 6, 2001, and the City Council on January 29, 2002. Ultimately, the City Council directed both City staff and the applicant to provide all neighborhood park and recreation facilities per the City's standard population based park requirements. The Sunroad project currently includes a requirement for 3.42 acres of public park land (see "Park Requirements" discussion below).

On June 13, 2002, the Planning Commission voted unanimously (5-0) to approve the Sunroad project with the following recommendations:

1. The voluntary affordable housing requirement for Sunroad's additional 570 units should be increased from 10 percent to 20 percent;
2. Language should be added to the New Century Center Development Standards to strengthen the recommendation for mixed-use. Single use areas and big box uses, in particular those that are auto-oriented, should be strongly discouraged unless incorporated as part of a vertically mixed use development.

City staff and Sunroad support recommendation number 2, but do not support recommendation number 1.

Sunroad is opposed to the 20 percent affordable housing recommendation, and City staff continues to recommend a 10 percent affordable housing requirement for the following reasons:

- # On August 6, 2002, the City Council adopted components of an inclusionary housing program that requires 10 percent of new residential units be affordable. The City Council directed staff to proceed with the preparation of implementing ordinances, however these ordinances are not currently in effect and Sunroad is not legally required to provide any affordable housing units. Through a negotiation process with City staff, the applicant voluntarily agreed to provide 10 percent affordable housing on site. This voluntary 10% affordable housing requirement is consistent with the City Council's actions on August 6.
- # The 20 percent affordable housing recommendation would be imposed inequitably and exclusively to Sunroad's proposed 570 dwelling units, while the remaining 998 units previously approved at San Diego Spectrum would not be burdened with any affordable housing requirement. This situation would put Sunroad's housing development at an unfair economic disadvantage relative to surrounding residential properties.

- # The recommended 20 percent affordable housing recommendation combined with the population based-park requirement (to provide a 3.42-acre park) apply only to Sunroad, and would likely render the project economically infeasible, particularly relative to surrounding residential development which can and has been developed without these requirements. Buildout of the recommended Sunroad project includes needed multi-family housing, 57 affordable housing units, and 3.42-acres of active park land.

PROJECT DESCRIPTION

The proposal includes land use policy amendments and a rezone to allow Sunroad to construct an additional 570 dwelling units within San Diego Spectrum on planning areas 1A, 1B, 2B, and/or 3A. The New Century Center Master Plan currently allows a total of 998 dwelling units, therefore the proposal would increase the total maximum number of residential dwelling units permissible at San Diego Spectrum to 1,568.

The proposal includes the rezone of the 8.2-acre planning area 3A from M-1B to CA to allow residential use as an option within this planning area.

In addition to residential uses, office, hotel, restaurant, and retail uses which are currently permissible within these planning areas would continue to be permissible uses.

Proposed Land Use Policy Changes:

<u>Planning Area</u>	<u>Existing Land Use</u>	<u>Proposed Land Use</u>
1A (23.1 acres)	General Commercial	Mixed Use Commercial/Residential
1B (7.3 acres)	General Commercial	Mixed Use Commercial/Residential
2B (10 acres)	General Commercial	Mixed Use Commercial/Residential
3A (8.2 acres)	Industrial Business Park	Mixed Use Commercial/Residential

Other project features include the following: 1) The project includes an affordable housing component requiring that 10 percent of the requested units be reserved for households earning no more than 65 percent of median income, or an equivalent program acceptable to the City Manager and Housing Commission; 2) The proposal includes the relocation of a San Diego Gas and Electric Company electrical substation to a planned non-residential portion of the project area.

Development Agreement Amendment:

The existing Development Agreement does not currently allow residential development on Planning Areas 1A, 2B, or 3A. Therefore, the Development Agreement must be revised to accommodate Sunroad's request to construct an additional 570 dwelling units on these planning areas.

The Development Agreement is also being revised to allow the recently adopted (August 5, 2002) Development Impact Fees to apply to new residential development proposed by Sunroad. Currently, the Development Agreement vests the fees for residential development at the rate adopted in 1997 - \$1,545 per unit. The new fees for residential development are \$7,536 per unit. When the Kearny Mesa Public Facilities Financing Plan was adopted in 1997, residential development was never contemplated within the San Diego Spectrum project, so adequate park facilities were never identified, nor were adequate DIFs established to provide needed population based parks.

Community Plan Analysis:

The proposal is consistent with the goals and objectives of the Kearny Mesa Community Plan. The primary goal of the Housing Element is as follows:

Where not in conflict with the overall community goals, preserve, or allow in-fill residential neighborhoods within Kearny Mesa, and protect them from commercial and industrial encroachment. (page 77)

The proposal fulfills this goal by providing additional housing without reducing the potential for industrial or employment use. This will be accomplished by building by intensifying the office use currently planned for the site. The development and design standards address the buffering of the residential units.

The plan amendment associated with this item is related to 1) changes in land use: 8 acres from Industrial to Mixed Use Commercial and 40 acres from General Commercial to Mixed Use Commercial/Residential as identified in the project description; 2) modification of a zoning map to reflect the rezoning from M-1B to CA; and 3) indicating the new street name for Spectrum Center Boulevard.

The amendments to the New Century Center Master Plan, which is Volume I of the three volume master permit, also constitute a community plan amendment since it was adopted as an appendix to the Kearny Mesa Community Plan. These amendments include a new planning objective related to pedestrian linkages between residential and commercial uses, and to linking uses with common landscape themes. Also included in the Implementation section is text specifying that a Process 4 Planned Residential Development Permit is required for future residential development, requiring a hearing before the Planning Commission. This provision supports the Planning Commission's comments at the hearing for the previous amendment regarding a desire to see the design of the 550 units approved at that time.

Staff does not believe that the loss of industrial land is considered significant in this case because it involves the deletion of planned office use rather than industrial use, and replacement with residential use, which is in very short supply. Regarding other policy issues raised by the Planning Commission at the initiation of this project:

1. Design guidelines have been added addressing the integration of the residential uses with the commercial uses. While mixed use structures are not required or contemplated at this time, the alternative conceptual site plans show the residential units wrapping around the office uses. The Master Plan permits and encourages mixed use projects within the individual planning areas.
2. The proposed residential is in close proximity to the future Transit Center and pedestrian connections have been delineated.
3. An affordable housing requirement has been provided requiring 10 percent of the units be affordable, defined as units to be rented or sold to households earning no more than 65 percent of median income, or an equal program acceptable to the City Manager. This requirement only applies to units after the 550 previously approved units.
4. Concepts of the Transit Oriented Development Design Guidelines, Urban Village Overlay Zone, and draft Strategic Framework Element are incorporated into the master plan and permit. Already approved are the Transit Center; and mixture of employment, residential, and support retail uses; a pedestrian orientation with the use of parking structures located behind commercial structures, strong pedestrian connections, a central commons area, and a small passive park. Proposed features with this proposal include design standards for the integration of residential use with commercial use, design standards for office parking structures facing residential use, a requirement for residential units to have entrances facing the street, and establishment of a minimum density requirement.

Park Requirements:

Residential development proposed by Sunroad (570 additional dwelling units) will generate the need for additional public parks within the community. City staff uses park standards as established in the Recreation Element of the Progress Guide and General Plan to determine specific park requirements. City staff currently assume that each residential dwelling unit will generate a total of 2.5 residents per unit; and will require residential developers to provide a total of 2.4 useable park acres per 1,000 population.

Using these standards, City staff has determined that Sunroad will be required to provide 3.42 acres of land, either on-site or within one-half mile of the project, for a public park. Sunroad must also provide funding for the design and construction of the required on-site park facilities,

as well as their pro rata share of the cost of constructing a 15,000-square-foot recreation building and swimming pool.

The following options (currently included as park mitigation measures in the Mitigated Negative Declaration) are available to the developer to satisfy the City's population-based park requirements:

Prior to building permit issuance for the 999th residential unit within the San Diego Spectrum project, the owner/permittee shall meet, or assure through agreement or bond, one of the following mitigation options to the satisfaction of the City Manager:

- A. The developer shall provide 3.42 contiguous, usable (maximum 2% grade for active recreation) acres of land within their development for park and recreation purposes, and provide funding for the design and construction of the required public recreational facilities on the provided acreage, plus their pro rata share of the cost of constructing a 15,000 square-foot recreation building and swimming pool; OR
- B. The developer shall acquire 3.42 contiguous, usable (maximum 2% grade for active recreation) acres of land within a one-half mile radius of their development, acceptable to the City Manager, and provide funding for the design and construction of the required public recreational facilities on the provided acreage, plus their pro rata share of the cost of constructing a 15,000 square-foot recreation building and swimming pool; OR
- C. The developer shall provide a minimum of 2.0 contiguous, usable (maximum 2% grade for active recreation) acres of land within their development, provide the funding for the design and construction of the required public recreational facilities on the provided acreage, plus their pro rata share of the cost of constructing a 15,000 square-foot recreation building and swimming pool, and meet one of the following:
 - 1) Pay in lieu fees equivalent to the acquisition, design and construction of the remainder of the required 3.42 acres not provided on-site acceptable to the City Manager; OR
 - 2) Provide the remainder of the required 3.42 acres within their development as contiguous, usable (maximum 2% grade for active recreation) fully-developed land acceptable to the City Manager; OR
 - 3) Provide a combination of in lieu fees and contiguous, usable (maximum 2% grade for active recreation) fully-developed land within their development acceptable to the City Manager which, in combination, is equivalent to the remainder of the required 3.42 acres.

Transportation Requirements:

A traffic study was completed for this project which determined that the P.M. peak traffic is the critical peak. During the P.M. peak, the additional residential units are expected to generate 307 trips. One of the traffic mitigation measures imposed at the time of approval of the original

Master Plan was the provision of an internal shuttle. The early implementation of this internal shuttle system would result in a reduction of internal trips which would offset the additional trips associated with the proposed increase in residential units. With the implementation of this requirement as outlined in the project's Mitigation, Monitoring, and Reporting Program, the traffic impacts projected to result from the development of an additional 570 dwelling units would be mitigated to below a level of significance.

Respectfully submitted,

Tina P. Christiansen, A.I.A.
Development Services Director

Approved: P. Lamont Ewell
Assistant City Manager

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Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

- Attachments:
1. Project Location Map.
 2. Original (1997) New Century Center Land Use Plan.
 3. LNR's (2000) San Diego Spectrum Land Use Plan.
 4. San Diego Spectrum Planning Exhibit.
 5. Proposed Land Use Designation Amendments.
 6. Proposed Rezoning Map.
 7. Draft Rezoning Ordinance.
 8. Draft Development Agreement Amendment.
 9. Draft New Century Center Master Plan, Development Standards, and Design Manual (under separate cover).